MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM ID 2210)

UCL3612 – COMPANY LAW I

(All Sections / Groups)

14 FEBRUARY 2023
Reading Time: 09.00 a.m. – 09.15 a.m.
(15 Minutes)
Answering Time: 09.15 a.m. – 12.15 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. Students will have **fifteen minutes** during which they may read the paper and make rough notes ONLY in their question paper. Students then have the remaining **THREE HOURS** in which to answer the questions.

2. This question paper consists of 3 pages with 5 questions only.

3. Answer **ALL** questions in **PART A** and **TWO (2)** questions only in **PART B**. Attempt **FOUR** out of FIVE questions. All questions carry equal marks and the distribution of the marks for each question is given.

4. Students are only allowed to bring in CLEAN AND ORIGINAL COPY of the following statute into the exam venue:

   Companies Act 2016

   "Clean" is defined to include no tagging, no annotation either by the publisher or anyone else, and no erased marking. Highlighting and underlining are also prohibited.

5. Please write all your answers in the Answer Booklet provided.

Answer ALL questions from Part A and TWO (2) questions ONLY from Part B.

PART A (50 MARKS): ANSWER ALL QUESTIONS

QUESTION 1

Super Jati Sdn. Bhd. (Super Jati) was formed two years ago with the sole object of manufacturing and selling jati furniture and wood related products. Two months ago, the directors decided to expand the business to manufacture and sell cane and rattan furniture.

Super Jati's board of directors resolve that the company should manufacture and sell cane and rattan furniture. For this purpose, the directors entered into the following transactions on behalf of the company:

(i) A loan of RM1 million from Teguh Bank Berhad (TBB) with security granted over the company's assets in favour of TBB.
(ii) The purchase of cane and rattan materials amount to RM2 million from Cane Best Sdn. Bhd. (Cane Best) in order to manufacture and sell cane and rattan furniture. The board of directors are aware that Super Jati's constitution does not contain any reference to the business of manufacturing and selling cane and rattan furniture.

Mandy and Judy who are shareholders of Super Jati Sdn. Bhd., on being made aware of these transactions are absolutely opposed to this new business and consequently informed the directors of their disapproval. The next day, the directors called an extraordinary general meeting and passed a resolution altering the objects clause to include manufacturing and selling can and rattan furniture. Mandy and Judy voted against the resolution.

Explain to Mandy and Judy as to whether the contracts are binding and the extent, if any, of their liability.

(Total: 25 marks)

QUESTION 2

a) The common law position on pre-incorporation contracts has to a great extent been altered by section 65 of the Companies Act 2016.

Discuss the accuracy or otherwise of this statement.

(10 marks)

b) William, a promoter and subsequently a director of Bright Solution Sdn. Bhd. (Bright Solution), a newly formed company. Bright Solution entered into a contract with Brandon on 2 September 2021 for the lease of a three storey shophouse to be used as the company's principal place of business. Brandon was

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under the impression that Bright Solution was incorporated on 2 September 2021 when it was in fact incorporated on 2 November 2021. Bright Solution has decided to pay for the rental of the shophouse space beginning February 2022 although it has been in occupation of the premises since September 2021.

Justify the legal rights and obligations of parties in the above scenario.

(15 marks)

(Total: 25 marks)

PART B (50 MARKS): ANSWER ANY TWO (2) QUESTIONS ONLY

QUESTION 3

"The separate legal personality of a company is not specifically provided for in the Companies Act. Nevertheless, the whole scheme of the Act is predicated upon the company's separate existence."

Walter Woon, Company Law, Revised 3rd edition, at pages 54-55

With reference to the relevant statutory provisions and decided cases, assess the above statement.

(Total: 25 marks)

QUESTION 4

Serena and Venus are equal partners in a clothing business under the partnership firm's name, SV Clothing Trading. The firm's assets are currently worth RM1million. The business has been growing rapidly and they are contemplating expanding their business by forming a private limited company. They came to know through their friend Nadal that a company has many advantages over a partnership. They wish to invite Nadal to take up some shares in the proposed company when it is formed.

Assess and demonstrate to Serena and Steward on the formation of the company.

(Total: 25 Marks)

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QUESTION 5

Babel Group Bhd ("Babel") is Asia's leading agribusiness group founded in 2011 and was incorporated in Malaysia. Mr. KC Young and his brother, Mr. KB Young are both directors of Babel. They are also shareholders of Babel together with 5 others. In 2016, Mr. KC Young's son, Stephen Young joined Babel as one of the board of directors. Babel operated one of Malaysia's largest and most innovative sugarcane farming operations. In 2017, Babel appointed Vincenzo Sdn. Bhd. ("Vincenzo") to do maintenance works on its sugar mills for 8 years ("Maintenance Agreement"). The Maintenance Agreement was signed by Vincenzo's shareholders, namely, Stephen Young and his mother, Madam Serina Woo. They each held 60% and 40% of shares in Vincenzo respectively. In January 2021, Mr. KC Young fell ill and decided to retire from office. Mr. KB Young was then appointed as the Managing Director of Babel. In June 2021, Babel filed a claim in court that the Maintenance Agreement be rescinded and/or declared null and void. Babel alleged that there was a breach of statutory duties by its board of directors.

Present an advice to the parties of their possible liabilities and consequences.

(Total: 25 marks)

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